Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Unbundled Access to Network Elements	)	WC Docket No. 04-313
	)	
Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers	)	CC Docket No. 01-338

DECLARATION OF DAVID L. TEITZEL AND BARRY ORREL

1. My name is David L. Teitzel. My business address is 1600 7th Ave., Seattle, Washington, 98191. I have been employed by Qwest Corporation ("Qwest") for 30 years. I am currently Staff Director-Qwest Public Policy and am responsible for development and presentation in state and federal regulatory proceedings of Qwest's advocacy regarding pricing and competitive positioning of retail products and services. In this capacity, I have testified in numerous regulatory proceedings in each of Qwest's 14 in-region states and developed and presented Qwest's competitive evidence in the federal Section 271 proceedings.
2. I began my career with Qwest Communications predecessor Pacific Northwest Bell in 1974 and have held a number of management positions with the Company since that time in various departments, including Regulatory Affairs, Network and Marketing. As a Marketing manager, I was responsible for product management of Basic Exchange, Centrex and intraLATA Long

REDACTED – FOR PUBLIC INSPECTION

Distance services. I have also served as Market Manager for the Qwest Dex directory publishing entity.

3. The purpose of my Declaration is to describe the unique characteristics of Qwest's region and the state of competition within Qwest's markets there.
4. My name is Barry Orrel. My business address is 125 S. Dakota Ave., 8th Floor, Sioux Falls, South Dakota 57194. I have been employed by Qwest for twenty-five years. I am currently Director – Regulatory Compliance, and am responsible for implementation and assurance of corporate compliance with federal and state regulatory requirements.
5. I have held many management positions within Qwest, and its predecessors Northwestern Bell and U S WEST, in organizations such as Network and Wholesale. Roles assigned to me included that of facility planner and project manager in the network organization where I oversaw the installation of DS1s and DS3s.
6. The purpose of my Declaration is to identify the number of fiber collocations present within Qwest's territory and to describe how cable infrastructure and other unbundled network elements and/or other technologies can be used to provide DS1 and DS3 services to the business sector.
7. Qwest provides local telecommunications and related services, data services and video services within its local service areas, which include the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New

Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

8. Qwest is the smallest Regional Bell Operating Company ("RBOC") in terms of access lines, but serves the largest geographic territory. Qwest serves about 15.8 million access lines, approximately 9.5 million of which are residential lines, and approximately 6.3 million of which are business lines. In contrast, Verizon serves 32.3 million residential lines and 18.7 million business lines, SBC serves 28.0 million residential lines and 17.8 million business lines, and BellSouth serves 16.0 million residential lines and 6.1 million business lines. Qwest serves over 272,000 square miles of territory in 14 states. The terrain in its region is geographically diverse, ranging from the timberland in the Pacific Northwest to the Rocky Mountains, to the farmlands of Iowa and Nebraska, to the deserts in Arizona and New Mexico.
9. Qwest has 1,213 wire centers in its entire 14 state service territory and 64 Metropolitan Statistical Areas ("MSAs") in its region. Only 12 of these MSAs are in the top 100, as compared to SBC with over 40, and Verizon and BellSouth each with over 20.
10. Qwest has 525 wire centers that are located outside of MSAs; the remaining 688 wire centers are within MSAs in Qwest's service territory. [redacted]

[redacted]

REDACTED – FOR PUBLIC INSPECTION

[redacted]

By way of example in specific MSAs, [redacted]

[redacted]

11. Qwest's competitors have fiber collocations in many of Qwest's wire centers. While direct determination of the number of fiber collocations is difficult due to the proprietary nature of CLEC information, Qwest was able to derive the number of fiber collocations by combining the number of active CLEC collocations with the number of CLEC fiber entrance facilities using Common

REDACTED – FOR PUBLIC INSPECTION

Language Location Identifier ("CLLI")™[2] information. While not completely accurate, this method does provide for a fair representation of the number of fiber-based collocations contained within Qwest's wire centers. Using information derived in this manner, there are fiber collocations in 210 of Qwest's wire centers; [redacted] of those wire centers have greater than 5,000 Qwest business access lines. [redacted] Of these 210 wire centers with fiber collocations, [redacted] have fewer than 5,000 Qwest business lines, [redacted] have between 5,000 and 10,000 Qwest business lines, and [redacted] have between 10,000 and 15,000 Qwest business access lines and [redacted] have over 15,000 Qwest business lines. [redacted] have fewer than 5,000 Qwest business lines, [redacted] have between 5,000 and 10,000 Qwest business access lines, [redacted] have between 10,000 and 15,000 Qwest business access lines and [redacted] have over 15,000 Qwest business access lines.

12. Despite the nature of our territory, with many wire centers having fewer than 5,000 Qwest business access lines, competition exists throughout Qwest's territory. Qwest faces competition from many types of competitors, including cable operators, facilities-based competitive local exchange carriers ("CLECs"), independent LECs ("ILECs"), municipalities ("Munis"), and

[2] CLLI is a trademark of Bellcore.

REDACTED – FOR PUBLIC INSPECTION

wireless and Voice over Internet Protocol ("VoIP") providers. Qwest's current rate of access line loss is 4% per year, based on financials as of June 30, 2004.

13. The CLEC competition in Qwest's region includes both intermodal and intramodal competitors that rely on their own facilities and/or Unbundled Network Elements ("UNEs"). Qwest has over 200 CLECs (219) in its territory with over 1,500 Section 252 Interconnection Agreements ("ICAs"). Qwest also had over 240 wireless ICAs, over 200 resale agreements, and over 100 paging ICAs as of August 31, 2004.

14. Qwest's CLEC competitors are utilizing the following elements:

- 75 CLECs are purchasing UNE-P
  - approximately 913,200 UNE-P access lines
- 81 CLECs are purchasing unbundled loops ("UBLs")
  - approximately 583,000 UBLs
    - approximately 560,270 2-wire
    - approximately 545 4-wire
    - approximately 22,635 DS1s
    - approximately 38 DS3s
- 43 CLECs are purchasing Enhanced Extended Links ("EELs")
  - approximately 18,000 EELs
    - approximately 200 DS0s
    - approximately 17,400 DS1s
    - approximately 490 DS3s
- 38 CLECs are purchasing Unbundled Dedicated Interoffice Transport ("UDIT")
  - approximately 3,000 UDITs
    - approximately 2,100 DS1s
    - approximately 900 DS3s

15. Qwest experiences significant facilities-based competition from cable operators. Over recent years, cable companies have invested in their

infrastructure and have evolved from a largely coaxial copper infrastructure to one that is a hybrid of fiber and coax copper. The principal drivers of this evolution were competition for the business sector and ever increasing demand for bandwidth.

16. Cable companies provide additional facilities-based competition in Qwest's region for residential as well as business customers, contrary to a popular misconception that cable providers offer telephony services only to residential customers. In fact, according to recent research by the Insight Research Corporation ("Insight"),[3] there is a very significant number of business access lines within cable providers' footprints in Qwest service territory, as shown below:

Very Small Business Lines	Small Business Lines	Medium Business Lines	Total
1,000,104	911,984	999,812	2,911,900

Significantly, in its study of cable telephony competition in the small business market, Insight concluded that "more than 24 million LEC business lines, or 50 percent of SME (small/medium business) lines in the U.S., could be at risk to ILECs if broad deployment of cable telephony occurs within the two-way cable plants."[4] Access to SME customer locations within the Cable MSOs' footprints is as simple as installing a drop to the location from the Cable MSO's existing network. This identified risk is not embodied only by cable

[3] *Cable Telephony in Small Business: The Competitive Threat to ILECs: 2004-2009*, The Insight Research Corporation, May 2004, p. 107.
[4] *Id.*, p. 112.

providers who have deployed circuit-switched telephony networks, such as Cox and Comcast, but also by the advent of VoIP telephony which is facilitated by the availability of broadband connections offered by the cable providers. Importantly, VoIP services are available to subscribers via the cable providers themselves[5] or from third-party providers such as Vonage, Covad and Packet8.

17. A variety of cable providers have aggressively targeted the business market to leverage their investments in broadband network facilities. Early on, for example, AT&T publicly announced its intent to provide broadband services to its business customers via its coaxial network. In a September 16, 1999 press release, AT&T stated:

> "AT&T Broadband Business Services will leverage AT&T's TCG and TCI acquisitions to launch new high-speed services for business customers. We fully intend to make the most of this tremendous market opportunity for AT&T and intend to be the undisputed leader helping businesses meet their needs for both narrowband and broadband Internet services. A key component of AT&T's broadband business services will be the development of its hybrid fiber coaxial cable infrastructure."[6]

Other large cable telephony providers are also focusing on the significant opportunities in the business market. An excerpt from Cable Datacom News states:

> "Several major MSOs are increasing the size of their commercial sales units, sharpening their technological tools and pumping up their

[5] "Time Warner and Cox are making a good push on VoIP. A business VoIP offering could give the cable companies a boost as they proceed with plans to roll out VoIP in numerous markets before the end of the year." *Broadband Edge*, July 17, 2004.

[6] AT&T Expands Broadband Business Services, September 16, 1999, www.internetnews.com/xSP/article.php/202371

> promotional efforts to capture more of the huge commercial market for telecommunications services, estimated to be more than $140 billion in size. In particular, Time Warner Cable, Cox Communications, Charter Communications, Cablevision Systems and Adelphia Communications are looking to make their market in the business space. With high speed data, digital video and now Voice over Internet Protocol (VoIP) service in their produce portfolio, they're hankering to steal market share away from the phone companies as well as expand the overall commercial market."[7]

Cox, Comcast, and small cable companies all have the ability to offer the "triple play" of telephone, internet access and video services. For example, Qwest has lost over [redacted] in the Omaha MSA, where Cox is Qwest's most significant competitor. Cox places emphasis on both the residential and the business markets, and is now leveraging its investment in its network that was initially deployed primarily to deliver cable television services to consumers to provide voice and data services to businesses.[8] Qwest has experienced significant residential and business access line losses to Cox in the Phoenix and Tucson MSAs and to Comcast where it is offering the triple play (*e.g.*, in Seattle, Denver, Salt Lake, Minneapolis, and Portland).[9] Smaller cable companies are now also competing with Qwest for residential and business customers. For example, Bresnan Communications ("Bresnan") is now competing with Qwest in Montana, Wyoming and Colorado. In a recent press release, Net2Phone announced a

[7] Cable Datacom News: *Cable Operators Show They Really Mean Business*, September 2004.
[8] "Besides the hospitality business, Cox is focusing on the education, government and health care sectors, which are typically regional businesses, rather than businesses spread across many cities around the nation." *Id.*
[9] In the business segment, Cox doubled its base of business subscribers between year end 2002 and year end 2003. *Cable Telephony in Small Business: The Competitive Threat to ILECs: 2004-2009*: The Insight Research Corporation, May 2004, p. 71.

REDACTED – FOR PUBLIC INSPECTION

partnership with Bresnan to deliver voice telephony services via Bresnan's broadband network, and stated:

> "Net2Phone today announced that it has signed a Letter of Intent to provide cable voice services for Bresnan Communications, the 13th largest US cable operator, with more than 300,000 video subscribers and over 500,000 homes passed. The parties plan to begin deployment in Bresnan's first market immediately…Net2Phone's Managed Telephony solutions empowers cable operators like Bresnan to provide their subscribers with a primary line replacement service that is equivalent to traditional telephony services in terms of voice quality, features functionality and reliability."[10]

Business service is a key strategic focus for Bresnan. In a July 26, 2004 press release, Bresnan stated:

> "Bresnan Business Services, a division of Bresnan Communications, has announced that it has passed a significant operational milestone having now signed agreements with more than 1,000 customers. A single-source provider of advanced broadband communications services, Bresnan Business Services designs and installs custom bundled and commercial cable modem solutions for businesses and institutions of all sizes across its service area of Montana, Wyoming and Colorado."[11]

Clearly, Bresnan is well positioned to provide a full range of voice and data services to business and residential customers within its service area in the three Qwest states.

18. Qwest is also experiencing residential and business competition from other small cable companies. For example, Midcontinent Communications is a facilities-based CLEC and cable television provider that now serves virtually

[10] Bresnan Communications Selects Net2Phone as Provider for Cable Telephony Deployment, May 13, 2004.
[11] Bresnan Business Services Passes 1,000th Broadband Customer Market, July 26, 2004.

all of the Qwest territory in Aberdeen ([redacted] Mitchell ([redacted]), Rapid City ([redacted]), Sioux Falls ([redacted]) and Spearfish ([redacted]).[12] Prairie Wave Communications is also a facilities-based CLEC and cable television provider serving southeastern South Dakota, including the Qwest communities of Canton ([redacted]), Harrisburg ([redacted]), Tea ([redacted]) and Yankton ([redacted]).[13]

19. In Nebraska, HunTel Communications, a cable telephone provider in Tekamah, has upgraded its cable system and will be offering telephone service and high speed internet to the city's residents and businesses. In an article discussing HunTel's deployment in the Tekamah area [redacted], HunTel discusses its goal, to make deployment economically rational, of encouraging at least 600 households and 200 business lines to switch from Qwest and use HunTel as their local telephone provider.[14] HunTel has also announced deployment of its integrated cable voice, data and video services in other

[12] www.midcocomm.com
[13] www.prairiewave.com
[14] Burt County Plaindealer, July 2003.

small Nebraska towns in Qwest service territory such as Oakland ([redacted]) and Lyons ([redacted]).[15]

20. Contrary to CLEC suggestions, cable operators are able to provision DS-1 and DS-3 services using their own facilities to business customers in a manner that is similar to ILEC provision of DS-1 and DS-3 services in order to serve the needs of their business customers. As Attachments 1 and 2 indicate, the cable and telecommunications network architectures for DS-1 and DS-3 services are remarkably similar. Attachment 1 depicts a generic cable architecture that includes both fiber and coax copper facilities that are available at various points to provide DS-1 and DS-3 services. Attachment 2 provides a generic telecommunications diagram that shows how a telecommunications carrier, such as Qwest, can provision the same DS-1 and DS-3 services. As these diagrams indicate, fiber can be found in 'ringed' topography that is deployed in more densely populated areas such as urban or tech centers. A spoke architecture then moves fiber into the community providing the ability to push SONET based fiber facilities closer to small and medium sized businesses. From there, copper strands spider into the neighborhoods. With the appropriate electronics and/or conditioning, cable companies can, and do, provide the same DS-1 and DS-3 services to the same types of business customers as Qwest whether they are large, medium, or small businesses.

[15] Burt County Plaindealer, November 2003.

21. For large business locations that typically have complex data requirements of multiple DS-3 services, cable companies have placed fiber directly from their head end, which is the PSTN equivalent to a central office, to the customer premises. SONET based electronics are then placed by the cable companies on these fibers at the customer premises that allow for DS-3 and above services to be provided to these large, or enterprise, customers.
22. Small to medium size business locations, such as physicians, branch banks, and auto dealers, normally utilize services such as DS-1, multiple business lines, and Internet access. To provision these services, cable companies rely on their fiber and coax infrastructure and, depending on bandwidth requirements, will place either a fiber or coax copper facility into the premises. The fiber facility normally terminates on SONET based electronics and the coax copper terminates on a converter at the end user premises. Internet access is provided through a cable modem. For PBX driven voice services, a business can be provided a DS-1 service that terminates in either a Class 5 voice switch located at the cable head end.
23. Further, absent available cable infrastructure to provision DS-1 and DS-3 services to a business location, CLECs can provide DS-1 and DS-3 services to their business customers without the need for direct access to unbundled DS-1 or DS-3 loops. For example, Qwest provides CLECs with access to unbundled 2- and 4-wire digital capable loops that can easily be used for providing DS-1 service to the business sector. The DS-1 signal is provided, in

this case, by HDSL technology. Similar technologies also are available to CLECs that provide DS-3 services over these same unbundled digital capable 2- and 4-wire copper loops.

24. Qwest also faces facilities-based competition from Independent Telephone Companies ("ICOs") that are overbuilding in Qwest's territory. There are over 500 ICOs in Qwest's region. Many of these compete against Qwest as CLECs in Qwest's territory -- most of them in wire centers with fewer than 5,000 Qwest business access lines. For example:

- Idaho
  - Cambridge Mutual Telephone's CLEC subsidiary, CMT, is the exclusive telecom provider in the Hidden Springs development in Qwest's Eagle wire center, which contains a total of [redacted]. The development is 1800 acres, planned for 1000 homes with its own retail businesses, police and fire coverage and school. Already it has 500 residents and won an award as a best planned community. CMT reached an exclusive arrangement to provide telephone service to the subdivision. CMT installed its own switch and local distribution facilities. Qwest has no presence in this development.
  - Project Mutual Telephone Company ("PMT") is a co-op providing communications services in the Magic Valley area of Idaho (includes Burley, Heyburn, Oakley, Twin Falls and Rupert), and has been in operation as a co-op in Idaho since 1916.[16] (The Burley exchange has [redacted]). Starting in 1999, PMT overbuilt Qwest's Burley exchange with its own fiber and copper network. "Project Mutual Telephone is in the middle of a big push to get fiber-optic cable installed throughout Burley. When the company completes its $6 million project in Burley in about 18 months, the entire city will be blanketed with PMT's telephone, cable and Internet

[16] www.pmt.org/about

service, said Charlie Creason, PMT General Manager."[17] "Advanced Fibre Communications said that Project Mutual Telephone Cooperative has deployed its TelcoVideo and UniversalDSL platforms as part of a significant upgrade project in several areas of south central Idaho. PMT will offer a combined voice/data/video service in significant parts of its service area, including Blaine, Cassia, Jerome, Lincoln, Minidoka and Twin Falls counties."[18]

- Iowa

  - CommChoice of Iowa, LLC ("CommChoice"), Headquartered in Sergeant Bluff, was awarded a certificate by the Iowa Utilities Board to provide local telephone service and has tariffs on file to serve the Whiting (containing [redacted]) and Onawa ([redacted]) exchanges in Qwest's service territory. CommChoice provides service through resale and facilities based provisioning to residential and business customers. In its application dated November 1, 1997, CommChoice stated that it is an entity owned by Pioneer Holdings, LLC, whose members are MCI, Long Lines and Northern Iowa Power Cooperative. Long Lines has placed its own facilities in the communities of Whiting and Onawa. According to an article in the Onawa Democrat on May 7, 2003, Long Lines, in a partnership with Western Iowa Power Cooperative, offers Local, Long Distance, High Speed Internet Access and Cable TV over their system.

  - Goldfield Access Network, L.C. ("GAN"), headquartered in Goldfield, Iowa, was established in 1996. GAN is jointly owned by two local companies, Goldfield Telephone Company and Advanced Telecommunications Holdings ("ATH"). Goldfield Telephone Company has provided telephone service in the Goldfield community since 1903, and the principals of ATH sell telecommunications equipment nationally.[19] GAN was issued a certificate on January 7, 1999 to provide local exchange service in the state. The company is authorized

[17] The Times-News, 12/20/99.
[18] Telephony Online, 12/17/2003.
[19] http://www.goldfieldaccess.net/information.html (visited June 28, 2004).

to provide service in the communities of Clarion ([redacted]), Eagle Grove ([redacted]), Humboldt ([redacted]) and Renwick ([redacted]), all of which are in Qwest's Iowa service territory. GAN's stated goal is to "provide the latest technology, the highest quality and the most cost-effective telecommunications solutions to our customers."[20] In addition to the basic local and long distance services it provides to residential and business customers, GAN also offers a full line of Custom Calling features, paging service, cellular phone service, and dial-up and high-speed Internet access.[21]

- HickoryTech, formerly known as Crystal Communications, Inc., is a diversified communications company that provides local and long distance telephone service to cities within Qwest's territory including Waukee, Urbandale, Clive, and West Des Moines, as well as communities in Minnesota. [22] The mission of the company is to deliver competitive broadband services to suburban communities throughout the Midwest, improve community communication services, promote economic development, and provide total communications service for residential and business consumers.[23] The company started out in the local telephone exchange business over 100 years ago as Mankato Citizen's Telephone Company and, through a variety of mergers and acquisitions, has since expanded into wireless communications, competitive local service, long distance, Internet, and information and enterprise solutions.[24] HickoryTech has been actively building facilities in the Iowa communities it serves. For example, in the western Des Moines metropolitan community of Waukee (which contains [redacted]), HickoryTech has overbuilt Qwest's network to provide local and long distance services and

[20] http://www.goldfieldaccess.net Home Page. (visited June 21, 2004).
[21] http://www.goldfieldaccess.net/questions.html (visited June 28, 2004).
[22] http://www.hickorytech.com About Hickory Tech (visited June 23, 2004); www.hickorytech.com/local (visited June 23, 2004).
[23] "Bringing Broadband Services to the Community of Waukee," Presentation to the Waukee City Council by Milo DePhillips, HickoryTech General Manager, July 10, 2000.
[24] http://www.hickorytech.com About Hickory Tech (visited June 23, 2004).

DSL to both residential and business customers. According to a July 10, 2000, presentation made to the Waukee City Council by Milo DePhillips, HickoryTech General Manager, the company chose Waukee in part because of its continued strong population growth and substantial "high-end" residential concentration as well as being contiguous to an existing HickoryTech market.[25] In a March 24, 2001, *Des Moines Register* article, HickoryTech is quoted as saying that it "is installing phone lines that will reach almost every Waukee resident and business." [26] The article goes on to say, "Milo DePhillips, general manager of HickoryTech, said the switching facility in Urbandale is capable of providing 150,000 to 200,000 lines to the suburbs."[27] HickoryTech currently offers both residential and business local telephone packages in Iowa.[28] Installation of residential local telephone packages is free for new customers.[29] Business customers may also choose from several local telephone packages.[30] HickoryTech also offers calling features for both residential and business customers, including many of the features offered by Qwest.[31]

- South Slope Cooperative Communications Company ("South Slope") was founded in 1958 as Cooperative Telephone Company with the stated purpose of providing its members and communities with the best telecommunications service available at the lowest possible price.[32] The company provides residential and business service to a number of Iowa communities, including South Cedar Rapids and Coralville (location of the Coral Ridge Shopping Mall, now served by South Slope) where Qwest is the incumbent local service provider.[33] South Slope offers its residential customers basic dial tone service at

[25] "Bringing Broadband Services to the Community of Waukee," Presentation to the Waukee City Council by Milo DePhillips, HickoryTech General Manager, July 10, 2000.
[26] www.thedigest.com/more/126/126-182.html (visited March 5, 2002).
[27] *Id*.
[28] http://www.hickorytech.com/local/iowa_res.asp (visited June 23, 2004).
[29] *Id*.
[30] http://www.hickorytech.com/local/iowa_bus.asp (visited June 23, 2004).
[31] Business features: http://www.hickorytech.com/local/iowa_bus.asp (visited June 23, 2004). Residential features: http://www.hickorytech.com/local/iowa_res.asp (visited June 23, 2004).
[32] http://www.southslope.com/aboutus.htm (visited March 11, 2002).
[33] http://www.southslope.com/residential.htm (visited March 11, 2002).

$13.00 per month[34] and business line service starting at $15.25 per line per month.[35] A variety of calling features, such as Caller ID and Call Waiting, and optional calling plans are also available.[36] South Slope offers its customers high-speed Internet access starting at $34.95 per month[37] and wireless service in conjunction with Iowa Wireless/T-Mobile starting at $19.95 per month.[38]

- Minnesota

  - Hiawatha Broadband Communications ("HBC") is a company providing communications services in the Winona area of Minnesota. ( ). HBC has overbuilt Qwest's Winona exchange with its own "hybrid fiber-coax network that connects all homes, schools and businesses."[39] "HBC also provides a full range of business offerings, providing one-stop shopping business networking, hosting, co-location, web and print design. "More than 50 percent of HBC is owned by area educational institutions including St. Mary's University of Minnesota, Winona State University, and the public and private elementary schools, junior high schools, and high schools."

- Montana

  - MidRivers Telephone, an Independent operating as a CLEC in Qwest service territory in Montana, has overbuilt Qwest's network in Terry ( ), Glendive ( ), Wibaux ( ), Fairview ( ) and Sidney ( ).

[34] http://www.southslope.com/residential/index.htm (visited August 19, 2003).
[35] http://www.southslope.com/business/index.htm (visited August 19, 2003).
[36] http://www.southslope.com/products/optionalplan.htm (visited August 19, 2003).
[37] http://www.southslope.com/internet/index.htm (visited August 19, 2003).
[38] http://www.southslope.com/products/wireless.htm (visited August 19, 2003).
[39] www.hbci.com

- 3 Rivers Telephone, an Independent operating as a CLEC in Qwest service territory in Montana, has overbuilt Qwest's network in Conrad ([redacted]) and now also serves a residential subdivision in Billings.
- Range Telephone, a cooperative operating as a CLEC in Qwest territory in Montana, has overbuilt Qwest's network in Colstrip ([redacted]).
- Blackfoot, an Independent operating as a CLEC in Qwest service territory in Montana, has overbuilt Qwest's network in Missoula ([redacted]) and has successfully positioned itself as the predominant provider of local services in the majority of new business and residential developments in that community.

▪ New Mexico

- Yucca Telecommunications Company, a subsidiary of Roosevelt County Telephone Cooperative, received a $21 million Rural Utilities Service ("RUS") loan for broadband delivery, via fiber facilities, in rural New Mexico. Yucca is also a significant POTs and DSL competitor in Portales, NM ([redacted]).

- Oregon
  - Beaver Creek Cooperative has overbuilt Qwest's Oregon City exchange ([redacted]).

- South Dakota

  - Black Hills Fibercom ("BHF") is a subsidiary of Black Hills Corporation, an energy and communications company headquartered in Rapid City, S.D., engages in the following businesses: electric utility, local broadband communications, power generation, coal, oil and gas production and energy marketing.[40] BHF provides residential and business telephone services via hybrid coaxial network to Rapid City and Northern Black Hills area.[41] ([redacted]). BHF has achieved significant market share. "As Black Hills FiberCom has become the **dominant provider of telephone services in our market area**, we believe it is a natural progression to provide a locally-produced, user-friendly phone book."[42] (emphasis added). "Black Hills FiberCom is the dominant provider of communications services with more than 26,000 customers and 43,000 telephone access lines in service."[43] Black Hills FiberCom is the "dominant local provider of bundled broadband services; local and long distance telephone, digital cable entertainment, high speed internet."[44] The following reflects BHF's growth in customers and revenue since 1999:

Year	Customer Count	Revenue ($million)
1999	250	$0.3
2000	9,000	$7.7
2001	17,800	$20.3
2001	24,700	$32.7
2003	26,890	$39.8

[40] Black Hills Corporation Investor Presentation, September 2004.
[41] http://blackhillsfiber.com/availability.htm
[42] Ron Schaible, Senior Vice President and General Manager, Black Hills FiberCom, www.blackhillscorp.com/news02/032702.htm.
[43] http://blackhillsfiber.com/about.htm
[44] Black Hills Corporation Investor Presentation, September 2004.

- Northern Valley Communications serves the Qwest Aberdeen wire center, which contains [redacted].
- Sancom/Santel Communications has begun providing facilities-based telecom services to the Qwest Mitchell wire center, containing [redacted].

▪ Wyoming

- Silver Star Communications has overbuilt Qwest facilities within the City of Afton, Wyoming and uses its own facilities to provide service to approximately [redacted]. In an order issued in July 2004, the Wyoming Commission found that any "existing economic, regulatory or technological barriers to entry appear to have been successfully overcome" and that "the Afton situation constitutes an "…instance of true, robust facilities-based local exchange service competition in Wyoming, all the more remarkable in that it has developed in one of Wyoming's smaller local exchange service markets."
- Allwest, a provider of voice, data and video services,[45] competes directly against Qwest in Evanston. The Qwest Evanston wire center has [redacted]
- Tri-County TCT competes against us in Cody ([redacted]) and Powell ([redacted]).

25. Qwest also faces facilities-based competition from municipalities operating as CLECs in Qwest's region, which are using non-Qwest loop facilities to compete against Qwest. A significant proportion of this competition from

[45] www.allwest.net

municipalities is occurring in wire centers with fewer than 5,000 Qwest business lines. For example:

- Iowa
  - Algona Municipal Utilities is now serving the Qwest Algona wire center, which contains [redacted].
  - Alta Municipal Broadband Communication Utility, an integrated provider of voice, data and video services,[46] is now serving the Alta/Storm Lake exchange, which contains [redacted].
  - Laurens Municipal Communications Utility, a facilities-based provider, has overbuilt the Qwest Laurens exchange, [redacted].
  - Mapleton Communications Management Agency has overbuilt the Qwest Mapleton wire center, [redacted], to provide residential and business telephone services.
  - Osage Municipal Communications Utility has overbuilt the Qwest Osage wire center, [redacted].
  - Spencer Municipal Communications Utility ("SMU") has overbuilt the Qwest Spencer wire center, [redacted]. SMU has offered service in Iowa since 2000. SMU is a full service provider serving the residential and business markets. SMU offers local, long distance, video, and broadband services to residential, wireless and commercial customers.[47] SMU offers Advance Data Services: T-I to DS-3, ATM/Frame Relay, ISDN (PRI/BRI), VLAN's.

- New Mexico
  - The City of Las Cruces, NM ([redacted]) has begun the installation and sales off of city-owned WiFi systems as a competitive challenge to Qwest's DSL deployments. The city obtained an economic development grant from the federal government to fund this venture.

- Oregon

[46] www.alta-tec.net
[47] www.smunet.net/telephone.htm

- The City of Albany contracted with NOANET to install a fiber network for the city and school district ([redacted]).
- The City of Ashland has a fiber network deployed throughout the city which was originally designed as a cable service ([redacted]).
- The City of Portland (IRNE network) is a facilities-based overbuild network largely built from "extractions" from CLECs, long distance carriers and cable companies required as a part of their franchise agreements. The network offers fully deployed switching to public agencies and other cities, county government, schools, etc.

▪ Utah

- Currently a group of cities, including Salt Lake City, is forming UTOPIA, a taxpayer-funded fiber network to compete against Qwest, Comcast and other telephone companies.

▪ Washington

- The City of Tacoma has installed a full facilities-based fiber network, entitled "CLICK Network," that provides hi-cap services and internet access to residences and businesses in the Tacoma metropolitan area.[48]
- NoahNet is a consortium of Public Utility Districts which has a fiber network that they lease capacity on to a number of other wholesale providers throughout Washington and Oregon.

26. Qwest has experienced significant erosion in its retail access line base over a period of several years not only in the larger metropolitan areas, but in smaller markets within Qwest service territory. The following illustrative table shows the magnitude of competitive erosion of Qwest's residential and business retail

[48] www.click-network.com

access line base in several of the smaller markets discussed previously in this declaration:

[redacted]

27. Clearly, facilities-based competition is now entrenched in Qwest's service territory, and a varied range of facilities-based providers from traditional CLECs to cable MSOs to VoIP providers are now actively serving residential and business markets in large and small Qwest exchanges. In many instances, facilities-based providers, such as Cable MSOs and municipalities, are leveraging broadband networks initially designed to deliver consumer services to capitalize on the significant market opportunities represented by the business market.

I hereby certify, under penalty of perjury, that the foregoing is true to the best of my knowledge, information, and belief.

Executed on October 15, 2004.

/s/
David Teitzel

REDACTED – FOR PUBLIC INSPECTION

I hereby certify, under penalty of perjury, that the foregoing is true to the best of my knowledge, information, and belief.

Executed on October 14, 2004.

/s/
Barry Orrel

REDACTED – FOR PUBLIC INSPECTION